

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)	
ROCKY MOUNTAIN POWER FOR AUTHORITY)	CASE NO. PAC-E-08-05
TO (1) BORROW THE PROCEEDS OF NOT)	
MORE THAN \$450,345,000 OF POLLUTION)	
CONTROL REVENUE BONDS, (2) ENTER INTO)	
SUCH AGREEMENTS OR ARRANGEMENTS AS)	
MAY BE REASONABLY NECESSARY TO)	
EFFECT THE BORROWINGS AND TO PROVIDE)	
CREDIT ENHANCEMENT FOR THE BONDS,)	
INCLUDING THE ISSUANCE OF FIRST)	ORDER NO. 30606
MORTGAGE AND COLLATERAL TRUST)	
BONDS, AND (3) REPLACE OR MODIFY FROM)	
TIME TO TIME THE CREDIT ENHANCEMENT)	
ARRANGEMENTS SUPPORTING THE BONDS.)	

On June 30, 2008, Rocky Mountain Power (Company) filed an Application that requested authority to: (1) borrow the proceeds of not more than \$300,345,000 of Pollution Control Revenue Refunding Bonds ("Refunding Bonds") to be issued by the Counties of Emery, Utah; Carbon, Utah; Lincoln, Wyoming; Sweetwater, Wyoming; Converse, Wyoming; and Moffat, Colorado ("Refunding Counties"); (2) borrow the proceeds of not more than \$150,000,000 of Pollution Control Revenue Bonds ("New Money Bonds") to be issued by one or more of the following Counties or municipalities: Emery, Utah; Converse, Wyoming; Lincoln, Wyoming; Sweetwater, Wyoming; City of Gillette, Wyoming; Navajo County, Arizona; and Routt County, Colorado ("New Money Issuers"); (3) enter into such agreements or arrangements with the Refunding Counties and New Money Issuers and with other entities as may be reasonably necessary to effect the borrowings and to provide credit enhancement for the Refunding Bonds and the New Money Bonds, including the issuance of the Company's First Mortgage and Collateral Trust Bonds as collateral; and (4) replace or modify from time-to-time the credit enhancement arrangements supporting the Refunding Bonds or the New Money Bonds.

These borrowings will be in connection with the financing, or refinancing, of the cost of certain pollution control, solid waste disposal and sewage facilities at the Company's electric

generating plants including Jim Bridger, Carbon, Cholla, Craig, Dave Johnston, Hayden, Hunter, Huntington, Naughton and Wyodak.

Having fully considered the Application and exhibits, the Commission enters this Order approving Rocky Mountain Power's Application.

FINDINGS OF FACT

The Company was incorporated under Oregon law in August 1987 for the purpose of facilitating consummation of a merger with Utah Power & Light Company, a Utah corporation, and changing the state of incorporation of PacifiCorp from Maine to Oregon. The Company currently serves customers as Rocky Mountain Power in Idaho, Utah and Wyoming and as Pacific Power in California, Oregon and Washington.

The Application states that Pollution Control Revenue Bonds will be issued by municipalities in an amount not more than \$450,345,000 in several series. Up to \$300,345,000 will be issued as Refunding Bonds and up to \$150,000,000 will be issued as New Money Bonds (Refunding Bonds and New Money Bonds will collectively be referred to as "Bonds"). The proceeds from the sale of the Bonds will be loaned to the Company who will be responsible to pay the principal and interest on the Bonds. These Bonds will either bear a fixed interest rate or a floating interest rate. If these Bonds bear a fixed interest rate, the rate will be set at the time of issuance. If these bonds bear a floating interest rate, the rate will be set periodically based upon market conditions. The Company expects these bonds to be issued and the related agreements to be executed from time-to-time. Dates of maturity will be determined based upon an engineer's certificate verifying the economic life of the qualifying pollution control equipment and solid and sewage waste facilities ("Qualifying Facilities").

While floating rate Bonds have a nominal long-term maturity, the obligations will be remarketed and bear interest at one or more frequencies, including, but not limited to, daily, weekly, monthly, flexible or term periods. Because of the remarketing feature, combined with the support of a letter of credit, investors are indifferent to the final maturity of the instrument; as a result, the floating rate Bonds may be structured with the longest maturity justified by the underlying assets being financed, while obtaining rates reflective of short maturities.

The Company will enter into an agreement with a remarketing agent who will agree in advance to seek new purchasers for the floating rate Bonds on a best-efforts basis if existing investors no longer wish to hold their bonds at the end of the interest period. To satisfy the

investment criteria of potential purchasers, the Company expects to arrange for a letter of credit or insurance contract as a source of credit support and liquidity. For example, a letter of credit will provide amounts required to purchase tendered floating rate Bonds that have not been successfully remarketed immediately, as well as amounts required for payment of scheduled interest and principal at maturity or through acceleration. The floating rate bonds not immediately remarketed may then be sold to other investors.

The floating rate Bonds' structure may include the selection of one of several tax-exempt market rate pricing modes, including pricing modes as short as daily and as long as annually. The Bonds may also include an option to convert to a term mode in which the rate is fixed for a certain period of time. The operation of those modes will be described in the official statement for floating rate Bonds.

The pricing mode selection will depend upon a number of factors, including expectations as to which mode offers the lowest relative rates at the time of issuance. During the time the floating rate Bonds carry a floating rate, the Bonds would be prepayable at par plus accrued interest at the end of any interest rate period.

Subject to market conditions, the Bonds may be issued at fixed interest rates. The Company expects to pay interest on a semi-annual basis. The fixed rate Bonds may include call provisions at fixed prices at future dates. To achieve lower borrowing costs, the Company may purchase credit enhancement from insurance companies, which would give the Bonds an AAA/Aaa rating. The insurance companies may require the Company to collateralize the Bonds with the Company's First Mortgage and Collateral Trust Bonds. However, if the anticipated interest savings are not sufficient or the terms relating to the bond insurance are considered to be unduly restrictive, the Company may choose not to obtain insurance. In this situation, the Company may collateralize the Bonds with the Company's First Mortgage and Collateral Trust Bonds in an aggregate principal amount not exceeding the principal amount of the Bonds, thereby providing the Bonds with a credit rating equal to its senior debt (A-/A3). The Commission previously authorized the Company to incur the lien of the PacifiCorp Mortgage in Case No. U-1046-158, Order No. 22157.

The Company asserts that the net proceeds of the proposed financings will be used for one or more of the utility purposes authorized by *Idaho Code* § 61-901. To the extent that any

funds to be reimbursed were used for the discharge or refunding of obligations, those obligations or their precedents were originally incurred in furtherance of a utility purpose.

The proposed financings are part of an overall plan to finance the cost of the Company's facilities taking into consideration prudent capital ratios, earnings coverage tests and market uncertainties as to the relative merits of the various types of securities the Company could sell.

STAFF COMMENTS

Staff recommended approval of the Pollution Control Revenue Bonds or Refunding Bonds up to an aggregate amount of \$450,345,000. The Pollution Control Refunding Revenue Bonds may be issued up to \$300,345,000. New Pollution Control Revenue Bonds may be used up to \$150,000,000. Staff also recommended authority for agreements to be provided, replaced or modified for credit enhancements.

Staff recommended approval of the continuing authority request. As a condition of this authority, PacifiCorp's senior secured debt will be rated at investment grade (BBB- or higher by Standard & Poor's Rating Services and Baa3 or higher by Moody's Investors' Service, Inc.). PacifiCorp will follow the established procedure of notification if the ratings drop below investment grade. The required credit rating reports, to the extent not filed in the MEHC Acquisition Case No. PAC-E-05-8, Order No. 29998, will be filed in this case.

The all-in-cost of the issuances and refinancing will be reviewed in general rate cases. The Company will provide Staff with the documentation showing the reasonableness of its financing activities.

CONCLUSIONS OF LAW

PacifiCorp doing business as Rocky Mountain Power is an electrical corporation within the definition of *Idaho Code* § 61-119 and is a public utility within the definition of *Idaho Code* § 61-129. The Commission has jurisdiction over this Application pursuant to the provisions of *Idaho Code* § 61-901 *et seq.* The Commission finds that the Application reasonably conforms to Rules 141 through 150 of the Commission's Rules of Procedure, IDAPA 31.01.01.141-150.

The Company has paid the fees required by *Idaho Code* § 61-905.

The Commission further finds that the proposed transaction is in the public interest and a formal hearing on this matter is not required.

The method of issuance is proper.

The general purposes to which the proceeds will be put are lawful purposes under the Public Utilities Law of the State of Idaho and are compatible with the public interest. However, this general approval of the general purposes to which the proceeds will be put is neither a finding of fact nor a conclusion of law that any particular construction program of the Company which may be benefited by the approval of this Application has been considered or approved by this Order, and this Order shall not be construed to that effect.

The issuance of an Order authorizing the proposed financing does not constitute agency determination/approval of the type of financing or the related costs for ratemaking purposes, which determination the Commission expressly reserves until the appropriate proceeding.

ORDER

IT IS HEREBY ORDERED that the Company's Application for authority to: (1) borrow the proceeds of not more than \$300,345,000 of Pollution Control Revenue Refunding Bonds ("Refunding Bonds") to be issued by the Counties of Emery, Utah; Carbon, Utah; Lincoln, Wyoming; Sweetwater, Wyoming; Converse, Wyoming; and Moffat, Colorado ("Refunding Counties"); (2) borrow the proceeds of not more than \$150,000,000 of Pollution Control Revenue Bonds ("New Money Bonds") to be issued by one or more of the following Counties or municipalities: Emery, Utah; Converse, Wyoming; Lincoln, Wyoming; Sweetwater, Wyoming; City of Gillette, Wyoming; Navajo County, Arizona; and Routt County, Colorado ("New Money Issuers"); (3) enter into such agreements or arrangements with the Refunding Counties and New Money Issuers and with other entities as may be reasonably necessary to effect the borrowings and to provide credit enhancement for the Refunding Bonds and the New Money Bonds, including the issuance of the Company's First Mortgage and Collateral Trust Bonds as collateral; and (4) replace or modify from time-to-time the credit enhancement arrangements supporting the Refunding Bonds or the New Money Bonds be approved.

These borrowings will be in connection with the financing, or refinancing, of the cost of certain pollution control, solid waste disposal and sewage facilities at the Company's electric generating plants including Jim Bridger, Carbon, Cholla, Craig, Dave Johnston, Hayden, Hunter, Huntington, Naughton and Wyodak.

IT IS FURTHER ORDERED that such authority will remain in effect so long as the Company maintains a BBB- or higher senior secured debt rating, as indicated by Standard & Poor's Rating Services, and a Baa3 or higher senior secured debt rating, as indicated by Moody's Investors' Service, Inc.

IT IS FURTHER ORDERED that if the Company's senior secured debt ratings fall below the investment grade levels referenced in the above ordering paragraph (Downgrade), PacifiCorp's authority to incur Debt as provided in this Order will not terminate but instead such authority will continue for a period of 364 days from the date of the Downgrade (the "Continued Authorization Period") provided that PacifiCorp:

- (1) Promptly notifies the Commission in writing of the Downgrade; and
- (2) Files a supplemental application with the Commission within seven (7) days after the Downgrade requesting a supplemental order (Supplemental Order) authorizing PacifiCorp to continue to incur Debt as provided in this Order, notwithstanding the Downgrade. Until PacifiCorp receives the Supplemental Order, any Debt incurred or issued by PacifiCorp during the Continued Authorization Period will become due or mature no later than the final date of the Continued Authorization Period.

IT IS FURTHER ORDERED that the Company shall file the following as they become available:

- a. The "Report of Securities Issued" required by 18 C.F.R. § 34.10.
- b. Verified copies of any agreement entered into in connection with the issuance of Debt pursuant to this order.
- c. A verified statement setting forth in reasonable detail the disposition of the proceeds of each offering made pursuant to this order.
- d. Credit Rating Reports, to the extent not filed in PAC-E-05-08, Order No. 29998.

IT IS FURTHER ORDERED that this authorization is without prejudice to the regulatory authority of the Commission with respect to rates, service, accounts, valuation, estimates, or determination of costs, or any other matter that may come before this Commission pursuant to this jurisdiction and authority as provided by law.

IT IS FURTHER ORDERED that nothing in this Order and no provision of Chapter 9, Title 61, *Idaho Code*, or any act or deed done or performed in connection with this

Order shall be construed to obligate the State of Idaho to pay or guarantee in any manner whatsoever any security authorized, issued, assumed, or guaranteed under the provisions of Chapter 9, Title 61, *Idaho Code*.

IT IS FURTHER ORDERED that the Company notify the Commission as soon as possible prior to the issuance with as much information as possible on the issue. The notice may be by telephone or facsimile to be followed with letter of verification if notice is less than seven days.

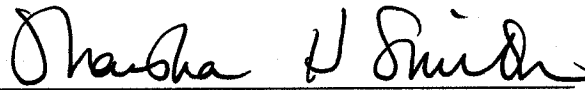
IT IS FURTHER ORDERED that issuance of this Order does not constitute acceptance of the Company's exhibits or other material accompanying the Application for any purpose other than the issuance of this Order.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code § 61-626.*

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this ^{August}~~July~~ 4th day of ~~July~~ 2008.



MACK A. REDFORD, PRESIDENT

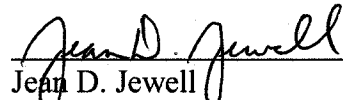


MARSHA H. SMITH, COMMISSIONER



JIM D. KEMPTON, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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